

## Message Text

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TAGS EAIR, AS

SUBJ: CIVAIR: AUSTRALIAN USER CHARGES

1. SUMMARY: TALKS WERE HELD FEBRUARY 2 AND 3 WITH AUSTRALIAN CIVAIR DELEGATION HEADED BY JOHN TAPLIN, DEPUTY SECRETARY FOR POLICY AND PLANNING, DOT. AFTER STRESSING TALKS WERE INFORMAL, AUSTRALIANS WERE QUITE WILLING PROVIDE STATISTICS AND DISCUSS FREELY POSSIBLE AUSTRALIAN POLICY CHANGES. THEY SAID ACTIVE CONSIDERATION BEING GIVEN TO REPLACING FIXED FACTOR FOR ASSESSING AIR NAVIGATION CHARGE FOR INTERNATIONAL FLIGHTS WITH ONE WHICH MORE ACCURATELY REFLECTS SERVICES PROVIDED AND THAT THIS MIGHT BE DECIDED IN MAY/JUNE, AS STEP WHICH WOULD REMOVE BASIS FOR ONE OF TWO FINDINGS OF DISCRIMINATION MADE BY US DOT. RE SECOND FINDING RELATING TO RENTALS FOR SYDNEY INTERNATIONAL TERMINAL, AUSTRALIAN SAID BASIS FOR FINDING WAS ERRONEOUS AND IT APPEARS THEY MAY BE CORRECT. USDEL SAID IT ASSUMED USG WOULD TAKE NO ACTION ON FIXED FACTOR ISSUE UNTIL GOA POLICY DECISION IN MAY/JUNE, WHICH WE HOPED WOULD BE FAVORABLE. ON RENTAL ISSUE, WE MERELY SAID WE WOULD REPORT DISCUSSION. OTHER USER CHARGE QUESTIONS WERE DISCUSSED AND CERTAIN ADDITIONAL DATA PROMISED BY AUSDEL. END SUMMARY.

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2. USER CHARGE TALKS FOCUSED ON FIXED FACTOR,

SYDNEY RENTALS, METHOD OF ALLOCATING COSTS AMONG USERS, INCREASES IN USER CHARGES, AND OVERALL USER CHARGE POLICIES, AS FOLLOWS:

A. FIXED FACTOR. AUSDEL AS MUCH AS ADMITTED THAT FIXED FACTOR APPLICABLE TO INTERNATIONAL BUT NOT DOMESTIC WAS UNFAIR. IT SAID ACTIVE CONSIDERATION BEING GIVEN TO HAVING TWO CHARGES, ONE FOR ALL NAVIGATION SERVICES (TERMINAL AND EN ROUTE) BASED ON DISTANCE WITH A SECONDARY WEIGHT FACTOR, AND THE OTHER FOR ALL AIRPORT COSTS (EXCLUDING TERMINAL BUILDING ITSELF) BASED PRIMARILY ON WEIGHT. PROPOSAL WOULD HAVE TO BE DISCUSSED WITH OTHER NATIONAL AIRLINES, SOME OF WHOM MIGHT BE ADVERSELY AFFECTED. AUSDEL NOTED PROPOSAL SUBJECT TO GOVERNMENTAL APPROVAL IN MAY OR JUNE IN CONNECTION WITH BUDGET DECISIONS AND SUBSEQUENT PARLIAMENTARY APPROVAL.

B. SYDNEY RENTALS. A CONSIDERABLE AMOUNT OF DATA WAS PRODUCED WHICH APPEARED TO SHOW THAT RENTALS AT SYDNEY INTERNATIONAL TERMINAL WERE INTENDED TO COVER ONLY THE COSTS ATTRIBUTABLE TO OPERATION OF THAT TERMINAL. THE ASSUMPTION WE HAD MADE (AND WHICH DOT MADE IN REACHING ITS FINDING) THAT THE OVERHEAD COSTS WERE IMPROPERLY ALLOCATED AMONG INTERNATIONAL AND DOMESTIC USERS APPEARED TO BE INCORRECT IN SO FAR AS THE TERMINAL BUILDING IS CONCERNED. THEREFORE, WE DECIDED NOT PRESS THIS POINT BUT TO OPEN UP THE OVERALL ALLOCATION QUESTION. AUSDEL DID, HOWEVER, REPEAT AN OFFER MADE EARLIER TO AIRLINES THAT THE QUESTION OF THE COSTS OF THE TERMINAL AND THE ALLOCATION OF THESE COSTS AMONG THE INTERNATIONAL USERS BE SUBMITTED TO ARBITRATION.

C. ALLOCATION OF COSTS. AUSDEL NOTED THAT, WHILE POLICY WAS TO RECOVER 80 PER CENT OF TOTAL SYSTEM COSTS, IT WAS CONTEMPLATED THAT RURAL AND GENERAL AVIATION WOULD CONTRIBUTE CONSIDERABLY LESS THAN 80 PER CENT. THEREFORE, COMMERCIAL SECTOR (INTERNATIONAL AND DOMESTIC TRUNKS) WOULD LIMITED OFFICIAL USE

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HAVE TO CONTRIBUTE 100 PER CENT OF THEIR ALLOCATED COSTS. E NOTED THAT, WITH SUCH A GOAL, QUESTION OF ALLOCATING COSTS AMONG USER BECAME CRITICAL, SINCE IT WOULD BE INAPPROPRIATE TO RECOVER MORE THAN 100 PER CENT FROM ANY CLASS OF USERS. WE CHALLENGED HIGH ALLOCATION OF OVERHEADS TO INTERNATIONAL. AUSDEL DISAGREED BUT DID NOT GIVE US A FULLY SATISFACTORY EXPLANATION. IT SAID IT

WILLING TO CONSIDER ALTERNATIVE COST ALLOCATION METHODS. WE ASKED FOR AND WERE PROMISED ADDITIONAL DATA BREAKDOWN.

D. USER CHARGE INCREASES. AUSDEL NOTED THAT INCREASES IN AIR NAVIGATION CHARGES WHICH WOULD HAVE COME INTO EFFECT ON DECEMBER 1, 1975, WERE NOT PUT INTO EFFECT BECAUSE GOVT FELL. NEW GOVT WAS LIKELY TO ANNOUNCE INCREASES VERY SHORTLY WHICH WOULD PROBABLY BE RETROACTIVE BUT WHICH WOULD PROBABLY BE CONSIDERABLY LESS THAN PREVIOUS GOVT'S PLAN. PRIVATELY, ONE AUSDEL MEMBER GUESSED INCREASE WOULD BE ONLY (SIC) 15 PER CENT. USDEL AGAIN URGED GRADUALISM.

3. AT CLOSING SESSION, USDEL SUMMARIZED MATTERS AS FOLLOWS:

A. USDEL COULD NOT SAY WHAT ACTION USG MIGHT TAKE ON FIXED FACTOR QUESTION OR WHEN. HOWEVER, USDEL INTERPRETED AUSDEL STATEMENTS AS A POSITIVE INDICATION THAT DISCRIMINATORY ELEMENT LIKELY BE REMOVED AND IT THEREFORE ASSUMED USG WOULD TAKE NO ACTION UNTIL GOA DECISION REACHED IN MAY/JUNE. IN ORDER AVOID A NEW METHOD OF CHARGING WHICH WOULD CAUSE PROBLEMS, WE ASKED TO BE ADVISED ON NEW METHOD BEFORE FINAL DECISION TAKEN. AUSDEL AGREED.

B. RE SYDNEY RENTALS, USDEL NOTED AUSDEL VIEW THAT SYSTEM WAS NOT DISCRIMINATORY AND SAID IT WOULD REPORT DISCUSSION OF THIS MATTER TO ITS GOVT. WE NOTED AUSDEL OFFER TO HAVE LIMITED OFFICIAL USE

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QUESTIONS OF TERMINAL COSTS AND ALLOCATION AMONG USERS ARBITRATED AND SAID THIS WAS MATTER FOR AIRLINES TO DECIDE.

C. ALLOCATION OF COSTS. WITH A GOAL OF 100 PER CENT RECOVERY FROM COMMERCIAL USERS, PROPER ALLOCATION OF COSTS AMONG USERS BECOMES CRITICAL. IN ORDER ANALYZE THIS FURTHER, USDEL REQUESTED AND WAS PROMISED IN SEVERAL WEEKS FURTHER DATA BREAKDOWN.

4. AUSDEL RAISED QUESTION OF PRESS INQUIRIES. IT WAS AGREED THAT BOTH SIDES COULD SAY THAT DISCUSSIONS ON USER CHARGES HAD TAKEN PLACE AND THAT CERTAIN QUESTIONS WERE BEING REVIEWED BY BOTH

SIDES AS RESULT DISCUSSIONS, BUT NOT PROVIDE  
DETAILS. AUSDEL WANTED SAY THAT USG DID NOT  
CONTEMPLATE QUOTE EARLY ACTION UNQUOTE PURSUANT  
TO SECRETARY OF TRANSPORTATION'S FINDING. WE  
SAID IT WOULD BE BETTER REFER TO NO QUOTE IMMEDIATE  
ACTION UNQUOTE, SINCE WE COULD NOT GUARANTEE HOW  
LONG USG WOULD WAIT FOR AUSTRALIAN DECISIONON  
FIXED FACTOR ISSUE.

5. COMMENT. WHILE AUSDEL MAY HAVE BEEN  
CLEVERLY TRYING TO PUT US OFF THE SCENT BY  
A FALSE DISPLAY OF UNDERSTANDING AND COOPERATION,  
USDEL SENSED THAT THERE HAS BEEN A MARKED CHANGE  
IN ATTITUDE SINCE MAY 1975 TALKS. AUSDEL MEMBERS  
WENT QUITE FAR (SHORT, OF COURSE, OF COMMITMENT)  
IN INDICATING THERE WOULD BE CHANGE IN FIXED  
FACTOR METHOD. ON OTHER HAND, THERE WAS NO CHANGE  
IN GOVT DETERMINATION TO RECOVER 100 PER CENT  
OF COSTS AS EVENTUAL GOAL, THOUGH THERE MAY BE  
CHANGE IN HOW FAST THIS IS ACHIEVED.  
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## Message Attributes

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